

TESTIMONY OF THE HONORABLE CIRO D. RODRIGUEZ

BEFORE

**THE HOUSE WAYS AND MEANS SUBCOMMITTEE ON
SOCIAL SECURITY**

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Testimony of the Honorable Ciro D Rodriguez
House Ways and Means Subcommittee on Social Security
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Thank you, Chairman Shaw and Ranking Member Matsui, for the opportunity to address the Subcommittee on Social Security in reference to “improvements” to the Social Security system for women, seniors, and all working Americans.

I serve as Vice Chairman of the Congressional Hispanic Caucus and proudly represent the 28th Congressional District of Texas. I am pleased to be here today.

As you may know, the Congressional Hispanic Caucus (CHC) is comprised of 18 out of the 21 Hispanic Members of Congress. CHC Members represent diverse districts and populations throughout Arizona, California, Guam, Illinois, New Jersey, New York, Puerto Rico, and Texas. Our Members are as varied as the districts we represent, but we all recognize and support the need to address ethnic and racial disparities impacting our community.

Latinos are critically effected by any proposed changes to our Social Security system. A significant segment of the workforce, Latinos represent a disproportionate percentage of those who lack employer-pension coverage.

The Social Security retirement system was created to help alleviate poverty among elderly Americans and meet the retirement needs of all workers. Social Security has become the single most effective federal anti-poverty program in our history. Its benefits lift more than 11 million seniors out of poverty.

Social Security provides a real and necessary safety net for seniors who lack other retirement options, whether it be a pension provided by an employer or retirement savings accounts. Seniors do not profit from Social Security, but they do have the chance for a dignified retirement. More than other segments of the population, Latinos depend heavily on Social Security to live their senior years in dignity.

DEMOGRAPHICS - LATINO GROWTH

The Latino population is growing rapidly. By the year 2005 Latinos are projected to become the largest minority group in the United States and a significant segment of

the workforce. Currently Latinos constitute 8 % of the total U.S. workforce; by 2010 Latinos are projected to account for 13.2% of all workers.

Moreover, projections tell us that from 1997 to 2020 the number of Latinos 65 years of age will nearly double.

LACK OF RETIREMENT INCOME

Unfortunately, despite gains in education and other areas, Latinos still remain concentrated in low-wage jobs that provide few benefits. Many do not have very many resources when they reach retirement age.

While more than half (51%) of Anglo workers have employer-pension coverage, the same is true for only one third (32%) of Latino workers.

Accordingly, Latino retirees are more than twice as likely as Anglo retirees to rely solely on Social Security benefits as a means of economic support. In addition, Latinos are less likely than Anglos to receive income from interest on savings and investments. For example, in 1998, of all persons reporting interest income, only 5.3% were Latino.

These figures highlight the need to include Latinos in the debate of “improvements” to the Social Security system for working Americans.

LATINAS

I would like to applaud the efforts of this committee to pay special attention to the needs of women within the general discussion of Social Security reform efforts. In light of this very necessary and critical focus, I would like to take a moment to highlight the specific needs of Latinas, the women in our community.

While reforming the Social Security system has serious implications for all Latinos, Latinas may be the most severely affected by reform efforts. Latinas are more likely than other women to work inside the home and are less likely than other women to have retirement savings. Moreover, Latinas are less likely than other workers to have access to private pension coverage.

Overall, they tend to rely heavily on Social Security benefits, and they tend to receive

the lowest wages of any group of workers. As a result, changes in marital status or loss of a family member who is the principal wage earner places Latinas in a particularly vulnerable situation.

PRIVATIZATION

Given the paramount importance of Social Security to Hispanic men and women, we must approach so-called reform efforts with caution, weighing the impact on this key, fast-growing population.

I am concerned that the plans to privatize Social Security would drain needed resources from the Social Security Trust Fund and jeopardize benefit payment to retirees, disabled workers and survivors. The leading plan proposed by the President's appointed Social Security commission would drain \$1.5 trillion from the Trust fund in just the next 10 years, money that is already being used for other purposes.

Privatization would require cuts in guaranteed Social Security benefits. The President's Social Security commission recommended a privatization plan that cuts benefits for future retirees by up to 46%. Everyone would be subject to this cut—not just workers who chose to have an individual account.

Finally, Social Security privatization would expose individual workers and their families to much greater financial risk. Under privatization, Social Security benefits would no longer be determined primarily by a worker's earnings and the payroll tax contributions he or she made over their career. Rather, benefit levels would be determined by the volatile stock market, by a workers luck in making investments, and by the timing on his or her decision to retire. In light of the Enron disaster, we know the risk.

GUARANTEE CERTIFICATES

Other proposals, while well-meaning, will not help us reach our goal of ensuring the future solvency of Social Security. For example, the proposed "guarantee certificates" offered by several of my colleagues would "guarantee" full and timely payments of Social Security benefits for a beneficiary's lifetime, plus cost of living adjustments.

Several question have been raised as to the legal effect of these bills as introduced. I await the answers to surface.

But even if those questions are resolved, the certificates would not change the budget crisis we face, would not help reduce our national debt, would not remove the risk of privatization, let alone expand benefits to meet growing, future needs.

I worry that these initiatives would spend 10 million dollars and divert us from the true work at hand. We need to focus on reaching a bipartisan agreement to provide a true guarantee of Social Security benefits by making the Trust Fund financially healthy over the next 75 years.

All Americans, to one degree or another, benefit on the continued success of Social Security. For many Americans, and particularly those in the Hispanic community, Social Security provides the shield against poverty and destitution. Our national values should include caring for our elders, and for providing a helping hand to the disabled among our workforce.

I thank the subcommittee for the opportunity to share my views, personally thank Chairman Shaw and Ranking Member Matsui and the other members here for taking the time to listen to my testimony today.